



IWP STRATEGY

TechFrame

Bernardo Weinstein de Maia Ferreira - 285

A Project carried out on the master of management course with the supervision of:

Prof. Sónia Dahab

Prof. Filipe Castro Soeiro

Prof. Paulo Gomes

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## **Executive Summary**

TechFrame is an IT Portuguese company that provides a software package to Industrial Property Agents to manage their clients' portfolio. In Portugal this firm is a market leader, having a share of 80%, and facing no competition, although some substitutes do exist. With this scenario in the Portuguese market, TechFrame has low expectations of increasing business volume, due to the specificity of this industry.

In order to increase sales volume and focusing on their core competences, TechFrame's best solution is to expand into new markets. Currently this firm is considering some internationalization processes into the French, Italian and UK markets. This IWP will analyze the internationalization into France. To do so, an analysis and explanation of the attractiveness of this new market is included further along in this paper. It will be seen that despite the fierce competition that TechFrame will face in France, it will still be an attractive market to enter due to its' large size and growing Industrial Property culture among organizations.

Based on that analysis it will be concluded that the best way to enter the French market is through the creation of an office, and some recommendations will also be made such as conquering first the SMEs then the larger firms and also the development of the Design Module.

Key words: TechFrame; Darwin; Industrial Property (IP); IP Agents; Patents; Brands; Trademarks.

## **Description of the Firm**

TechFrame is a Portuguese IT company created in March 2000 and located in Lisbon. Its key product, TechFrame Darwin, is the only IT solution in this area in Portugal. Darwin is an integrated IT solution which controls the management of the clients, suppliers and all IP data. It is vital for the Official Industrial Property Agents since it controls the entire flow of documents between the Rights' Proprietors and their Agents, and between the Agents and the corresponding official bodies — Official Institutes for Industrial Property. Darwin is composed of six completely integrated

modules: Process Management, Client relationship management, Document Archiving and Workflow, Financial management, Business Intelligence and Daemon referee. TechFrame Darwin is distinctive in Portugal from other IT solutions due to its potential and capability of working in multi-language, multi-currency and multi-jurisdiction thus being prepared to be adapted to the specificities of the Industrial Property markets, at a global level.

Currently, this company has clients in Spain, Angola, Austria, Mozambique and Macau and has an office in Madrid. It is composed by a five member board of directors who report to the President. These five executive directors are responsible for different departments, Administrative and Financial, Commercial and Marketing, Client Support Service, Product Development and Research & Development. Currently, it has 14 employees from programmers and technicians to commercial and administrative staff. The company depends practically upon Mr. Carlos Mora, who is responsible for designing and developing the system and services, Miss Lina Fortuna, who plays the role of marketer and sales rep and Mr. Artur Almeida, who is co-responsible for developing the data base.

### **Perspective on Business Mission and Strategic Objectives**

TechFrame's **mission** is focused mainly on three vectors: first, continuous development of innovative systems, providing a clear added value to its clients through efficient IT solutions and expertise support for IP data; second, explore the worldwide markets gaining visibility and reputation; third, provide a challenging working environment with the best work practices and ensure a successful career development to its employees.

TechFrame's **Mission Statement** is offering the best IT solutions to worldwide Industrial Property Agents and the Company's **Vision** is "Be the number one worldwide IT solution to Industrial Property Agents in 15 years".

TechFrame's **values** are based on integrity, transparency in the relationship with stockholders, responsibility and competence in its services, honour its commitments, striving for excellence and promoting a healthy co-working environment.

Until 2010, TechFrame's **strategic objectives** are maintaining the position as market leader in Portugal; serve the two largest Portuguese companies in the Industrial Property sector; gain 60% of the Spanish market, selling at least 1000 user licences (among the larger Spanish companies from 6-10 users) and enter the British, French and Italian market. TechFrame also aims to enter the British, Italian and French and reach a market share of 60%.

**Mantra:** "The industrial property agent organizer"

### **Methodology**

To gain a better perception of the IP industry and TechFrame's core business regular meetings with the firm's administrative body, Mr. Carlos Mora, the CEO, and also with Miss Lina Fortuna were conducted. Based on the information collected and the achieved know-how, the first part of this project was developed consisting in a competitive assessment, where an internal and external analysis is carried out. This analysis was also performed according with the academic material provided and also the workshops carried out along the semester.

The second phase consisted in analyzing the French market, through contacts with competitors, French firms and official bodies, to prepare TechFrame's internationalization. This market analysis was performed through a questionnaire done via phone calls and emails to the French companies. Finally, recommendations were made for TechFrame's internationalization.

### External Scanning:

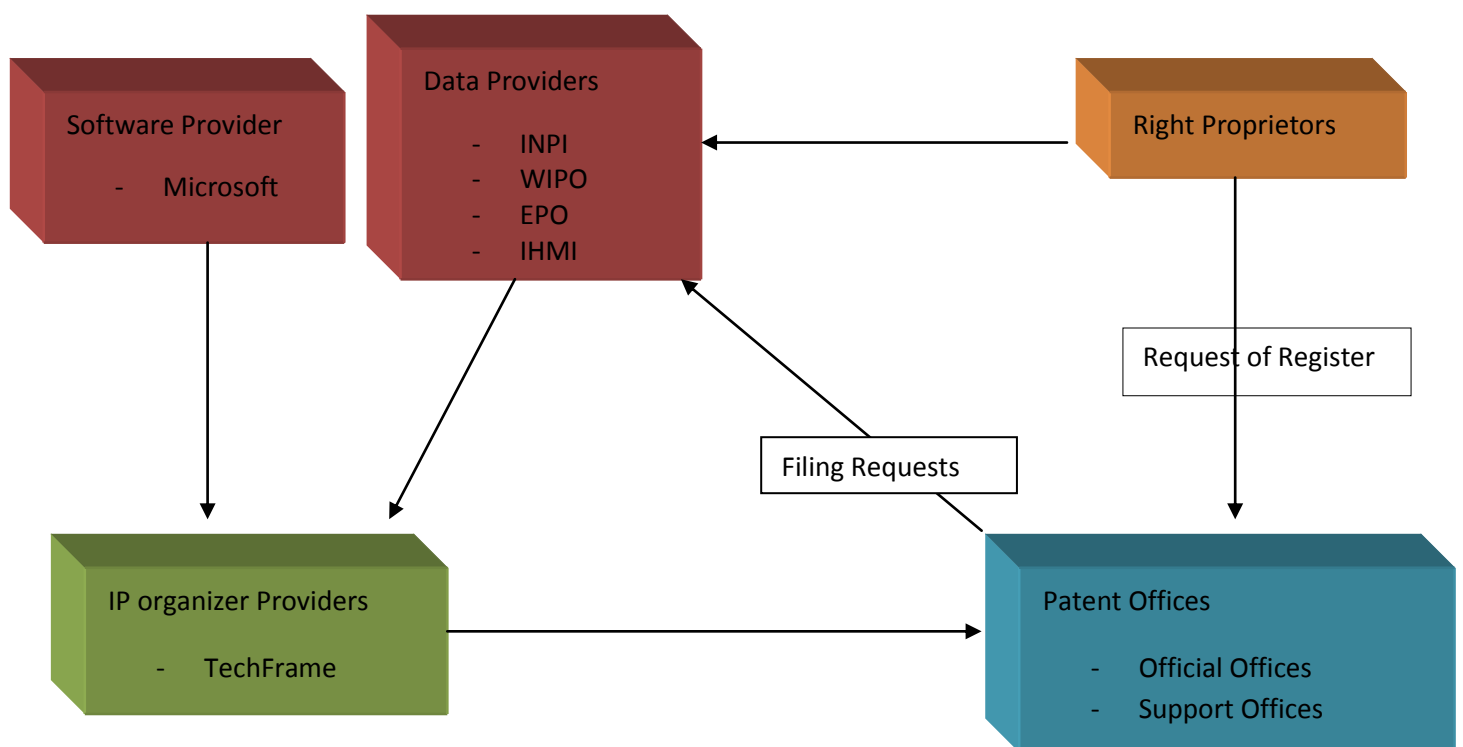
#### **Industry Mapping**

In the Industrial Property industry, there are rights proprietors, individuals and companies that create something and want to register a patent, which have to attend to Official IP Agents. These agents are responsible for managing and filing their clients' requests to the National Institute of Industrial Property (INPI). There are also the Support Offices of Intellectual Property, which are created by the INPI, whose function is also to manage the rights proprietors' portfolios, but have some financial restrictions. The institute follows all the legal procedures and decides if these requests are according to law. There can be small exceptions,

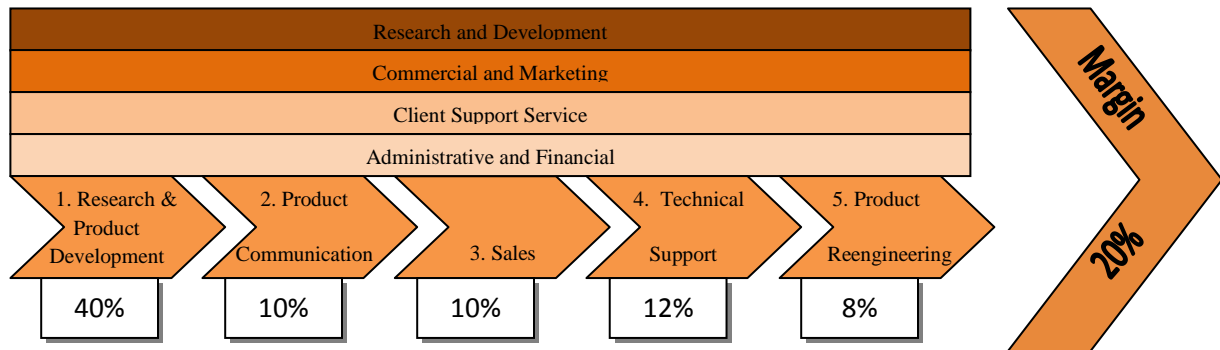
for example rights proprietors that go directly to the INPI and manage their asset themselves. However, this is an extremely rare situation.

The role of TechFrame in this industry is to provide an IT solution to these agents and support offices, in order to manage more efficiently their clients' portfolio. The only suppliers are the ones who provide the data and the server: WIPO – World Intellectual Property Organization – which provides a twice-month bulletin with the registered international brands; IHMI - Instituto de Harmonização do Mercado Interno – Provider of the brands registered in the EU; INPI - Instituto Nacional de Propriedade Industrial – Provider of a daily bulletin of the industrial Portuguese property requests and new registers. In what concerns server and SQL, Microsoft is TechFrame's provider.

**Figure 1 – Industry Mapping**



## Value Chain



In this type of firms, taking TechFrame as an example, we can verify that the cost structure along the production process is distributed along 5 stages. The percentages explain the weight of costs from each step relative to the final price.

1. Product Development - related with R&D and product development. This can be a long process of creation and constant updating of the software, which took TechFrame 15 years to complete. It weights 40% in the value chain.
2. Product Communication - where presentations are made to potential clients, they represent 10%.
3. Sales - when formal proposals are made and negotiation processes occur. It also represents 10% in the value chain.
4. Technical Support - Here the TechFrame technicians provide the implementation and training program for the software. After-sales support and maintenance is also provided. This represents 12%.
5. Constant Reengineering of Darwin - represents 8%.

This value chain shows that normally this type of firms is more dependent on R&D, being the core activity of the business.

Finally it can be seen that TechFrame practices a margin of 20%. In the final product price, only 80% of that value represents costs of production and 20% are profit margin.

## Analysis of Attractiveness

The industrial property industry in Portugal is overall an **attractive industry**, although a somewhat small market with only 84 IP agents. The Portuguese market for the Darwin system is divided in two main segments: the Official Industrial Property Agents (OIPA), which are in 23 commercial companies, normally law firms and where the 84 agents operate; and the Support Offices of Industrial Property (SOIP), which are financed by INPI and have a few financial restrictions, which explains the low usage of Darwin. (Appendix 1)

TechFrame's business is measured through the number of licences sold to official agents and their supporting staff. The Sales volume is a clear demonstration of the small dimension of the Portuguese market. In fact, only 400 licences (400 current users) were sold so far to the CPLP countries – Portugal, Angola, Mozambique and Macau.

The Industrial Property Industry showed some **signs of growth** from 2006 to 2007. In terms of the number of Patents, Brands and Designs being registered through the National Institute of Industrial Property, with an increase of 15,4% of the inventions registered, a growth of 53,5% of the requests of registry of design property, an increase of 35,3% in the number of design objects registered, and also with an increase in the number of brands registered via national of 29,5% (Appendix 2). Despite this doesn't represent an opportunity for TechFrame because a single agent can deal with a higher number of IP processes, it shows a clear growth in IP concern from the companies.

Presently, in Portugal there are 350 licenses installed in approximately 150 computers. There is a low potential for growth since TechFrame already achieved an 80% market share. The only future growth opportunities are in the offices where there are a low number of users, and also in future potential new offices.

Currently two of the companies with 21 to 50 users are already under negotiations with TechFrame to adopt Darwin, while the remaining two big companies (Clarke & Modet and J. Pereira da Cruz) with 21-50 users have already developed their own in-house software solution making it unlikely that they will acquire the Darwin's service in the near future. (Appendix 3)



In the Portuguese Industrial Property market there are no current competitors, although a few rival IT solutions exist, having been developed in-house by certain law firms, but are not commercialized. When comparing with the existing IT solutions for Industrial Property Rights management (the in-house developed IT systems of certain law firms) the Darwin product of TechFrame clearly differentiates itself by being an integrated solution, incorporating several components and modules while the other existing solutions only incorporate individual modules or components. Clearly the low degree of homogeneity makes the pricing strategy of TechFrame totally not aligned with a price war strategy.

There has been also an increase regarding the number of agents acting as intermediaries in this process. In fact a **new trend** has recently emerged, the expansion of Attorney's office with the introduction of a new department focused on the Industrial Property Law integrating Official Agents of industrial property in their structure. In the recent past, official agents of industrial property used to have their own companies dealing with attorney's offices when needed. This new trend is justified by the growth of this industry and also due to the fact that it is easy for an attorney offices to diversify, and enter this business, leveraging their law expertise with the required characteristics of this market. For TechFrame this tendency is seen as positive, since the Darwin system can be better adapted and justified for bigger companies. On the other hand though, there is the risk that these companies might develop their own in-house management system, not a common situation in the industry but existing nonetheless, like the case of the law firm J. Pereira da Cruz.

TechFrame's product, Darwin, undergoes a constant evolution and development and so there's not a specific cycle of life for this product. Though it is clearly undergoing a maturity phase since it has been introduced for some years, it is well known in the industry and has repeatedly gained clients up to a point in which internationalization is recommended.

In this sector, the change of the management operating system of Industrial Property Rights involves high costs, such as: direct costs - of training the users, of system and support equipment acquisition - but also indirect and slightly intangible costs, concerning the temporary losses of efficiency and productivity within the period of adaptation to the new

operating system. The **high customer switching costs** constitutes a **structural barrier** in this industry.

The major investments to enter the business are mainly related to human resources management, and the costs with infra-structure and equipment are minimal. This happens due to the time and staff required to develop such an IT solution. There are many programmers working on it for years, a period during which the company doesn't have any source of revenue.

TechFrame definitely has a **strong bargaining power** in the relationship with its customers in Portugal, due to the inexistence of competition which allows them to avoid price wars. The firm has the possibility of discriminating prices among customers, varying specially due to the differences in the dimension of the buying company. Besides, TechFrame has a varied portfolio of clients not depending on a single one or a small group of clients, which also strengthens the position of TechFrame in the bargaining process with its clients.

For TechFrame to operate in any external market there is no need to obtain special **licences** or convene any specific legislation. The same goes for new entrants in this sector, there are no barriers to entry in this sector when referring to licences to operate.

In sum, besides having the competitive advantage of being the first mover in the Portuguese market, TechFrame is a leader with 80% market share. This brings a strong bargaining power in the relationship with their clients. Other very important aspect for TechFrame's business, in a positive way, is the high switching costs that a client would have to incur in case he wanted to change the software. On the other hand, due to the small size of the Portuguese market and low growth potential, TechFrame is forced to plan an internationalization process in order to achieve the goal of increasing its sales volume.

### **Internal Scanning:**

Concerning TechFrame's **resources and competences** we foresee competitive advantages specifically in the **innovative product offer**. In Portugal, TechFrame Darwin is the only IT solution for the management of Industrial Property Rights providing an integrated complex service to the Official Industrial Property Agents. Its system is easily adapted to different markets and regional regulations, being multi-language, multi-currency and multi-jurisdiction.

Even though the system is imitable, since it not patentable, it would require too much time and hard to acquire specific know how, representing a barrier to the entrance of new competitors in this sector. Being the first mover represents a clear competitive advantage of TechFrame.

TechFrame's **brand awareness** in the Portuguese market is high, but only among this specific niche segment of Industrial Property Agents, being perceived as a quality solution and providing a good value for money. The firm's **reputation** among the IP sector is another source of competitive advantage, deriving from its quality product, the support service provided and also from its leading position in Portugal.

In Portugal there is no partnership either for commercial and distributional purposes or with suppliers. However, in Austria, TechFrame developed a partnership with Law Vision in terms of commercialization, distribution and technical support of the Darwin product in November 2006.

For TechFrame's business there is no gain in having **proximity** to clients or inputs. This happens due to the capacity of providing the product and support services from a distance. Although there are clients that value proximity which leads to a quicker response to their needs, it might be also advantageous for the firm by reducing costs in dislocations when internationalization occurs.

The communication strategy in Portugal is done through "word of mouth" among the IP sector and also by the website. This is an aspect of the strategy that will be adapted and improved when operating in foreign markets.

In sum, TechFrame has an advantage by offering an innovative product to a market that is not explored in Portugal. There is an inexistence of competition in Portugal due to the time and

resources necessary to develop such elaborate product. Another source of advantage in the Portuguese market is TechFrame's high awareness and reputation resulting from the quality of the product and service. A very relevant entry barrier for competitors is the high customer switching costs, not only in financial terms but in operational aspects as well. The implementation of a new system requires a long time of preparation for its users besides a high investment. On the other hand there is a lack of Human Resources in a business where people are crucial for success, representing a weakness of the firm which will have to be analyzed when entering in the new market.

### Analysis of the French Market

#### **Why the French market?**

One of the target markets in TechFrame's range for internationalization is France. With a growing culture in the IP industry this may be seen as a growing market in terms of business volume, meaning that the patents and brands registered are increasing compared with other countries.

In France there are 678 patent and trademark attorneys. There are 185 firms strictly working with IP throughout France. Besides these offices there are also 41 firms that also have branch offices. This profession employs in France 3000 people, including 600 who work temporarily. This profession in France is responsible for filing 70% of the total number of patents, and in 2005 this meant a total turnover of €555 million.

According to EPO (European Patent Office), there has been a considerable growth in the process of filing patents in France from 1978 to 2004. Comparing with other countries, like Germany which is stable since 1978, Japan which suffered a decrease and the European Union which has also grown since 1978, France is the country with the highest growth rate, almost six times higher in 2004 than in 1978. (Appendix 4)

This extremely high growth rate can be justified by the low Industrial Property culture that French companies had. Due to this low IP culture, the CNCPI (Compagnie Nationale des Conseils en Propriété Industrielle), launched an innovative plan to encourage French firms to use IP in order to protect themselves.

This plan has the objectives of developing an IP culture inside the companies and by that show the strategic benefits that it brings to the company, provide measures to facilitate the access to IP by the firms, turn France into a more attractive legal place with regard to intellectual property and bring closer the professions of patent agents and attorneys.

The IP firms' distribution along the French territory is mainly in the region of Ile de France, having a total amount of 52% of the firms, which includes 38% of firms in Paris and 14% in the rest of the region. The second biggest region is Rhone Alpes which has 14% of the companies, and the remaining 34% are distributed in the other French regions. (Appendix 5)

In what concerns the distribution of the Industrial Property agents, we can verify that the majority are located also in the Ile de France region (70%). More precisely, 61% of these agents work in Paris. The other region with a big part of agents working there is Rhone Alpes. (Appendix 6)

By this we can conclude that the largest companies, those with the higher number of agents and probable business volume, are located in Paris. All the others companies distributed in the rest of the French territory are small companies, most of them with less than 3 agents.

Concerning the potential clients, as it was previously said, the majority and the largest firms are located in Paris. The largest offices, with the higher number of agents and business volume are Véron&Associés, Santarelli, Beau de Lomenie, Germain et Maureu, Inlex IP Expertise, Lavoix and Plasseraud.

The high geographical concentration of this Industry might be seen as a big advantage for TechFrame, which can facilitate the entry of TechFrame in the French market. This occurs

because it doesn't entail a large staff neither high costs to respond to the clients' needs if they are located generally in the same region.

The growing IP culture and consequently the increasing sales volume from IP Agents and the high concentration of the firms in France are two big reasons for choosing it as a target market for internationalization. Another important aspect that reinforces France as a potential market is its proximity. This is a very important strategic aspect as it will facilitate the control and support from the headquarters in Portugal, through the constant dislocations from technicians and top management.

### **French Market**

In the IP industry, all companies that can provide a software package that helps to manage an IP portfolio and which is sold to law firms with IP agents are considered competitors. These software packages can either be integrated solutions or be sold partially in modules for specific tasks. Since TechFrame Darwin can also be provided in specific modules, all those companies providing single modules similar to Darwin are considered competitors. These companies can have similar customers who request a specific module from different IT solutions providers. A good example of this in France is the case of one of the largest IP firms, Santarelli, who has two software suppliers for different modules.

Contrarily to Portugal, in France TechFrame faces a fierce competition, with many competitors in this market. One competitor is the product DIAMS, supplied by Dennemeyer. This is a company from Luxembourg which part of its customers are French firms, for example BOETTCHER located in Paris. DIAMS is a solution very similar to Darwin, having many integrated modules and a support and training service, with the competitive advantage of having a design module. Dennemeyer can also provide DIAMS with tailor-made configurations according to clients' needs.

A second potential rival of Darwin would be Global IP, a North American firm that may be seen as the leading player in this industry in France, which has its European office located in France. Global IP is the supplier of one of the major IP firms in France, Santarelli, representing a market share of 4.2%. It also offers a product in the same way as TechFrame, through models and levels of usage. Once again, the big difference in the product offered by this firm and TechFrame is the Design Module that Darwin doesn't have.

AIMS IP is another software package that is considered a competitor of Darwin. It's developed by a North American firm, Data Cert, which has a European office in Paris. This IT solution has many integrated functionalities, like Darwin, in order to manage an IP portfolio in the best way. Its main difference from other software packages is that it is more focused in evaluating all the IP expenses that a firm incurs in with patents, brands and trademarks. Data Cert is also responsible for the integration of this system in a firm, through services of training and support provided by its technicians. Currently AIMS IP is installed in many large firms that operate in Paris, and accounts for a market share of 17.8% in France.

One other competitor operating in the French market is CPA Global, also a North American firm, which also provides an integrated solution to manage IP portfolios. This firm has as client in France Marks & Clerk, which accounts for a market share of approximately 1%. This firm is more focused in being present, in Europe, in the UK. Nonetheless, it should be taken into account due to the high similarity between the two systems.

As to the smaller firms, most of them use in-house developed software, and some don't even have a computer system to manage their clients' portfolio.

Through an overview, we may verify that TechFrame faces a fierce competition in the French market, as there are a high number of competitors compared to Portugal, and some even offer undifferentiated software and services from Darwin. One critical factor is that two of these competitors, Global IP and Diams, have a feature that Darwin doesn't have, the Design Module. On the other hand, comparing with the market leader (AIMS IP), TechFrame can offer the same service, the budgeting and expenditures estimation, plus a more complete solution to manage

an IP portfolio, creating a competitive advantage by providing a single solution with complete functionalities needed by the clients. (Appendix 7)

This creates, in part, some barriers to entry in the French market due to the high level of competition, undifferentiated product and low bargaining power with clients. Other structural barrier to entry in this market would be the high switching costs that the customers would have to incur in order to change their IP management software. These costs are associated with the product itself, the learning costs and the opportunity cost of not “producing” while implementing the new software by the company.

Despite this fierce competition that TechFrame will face in France, we can conclude that it is still an attractive market due to a good distribution of market share leading to the absence of a leader, and because of the growing IP culture among French companies and organizations in the last years.

### **Mode of Entry**

The best way to reach the goal of sales expansion and also to maximize the profit margin is through the creation of an office in France. By moving into this market regardless of third parties, such as partners (like TechFrame operates in Austria), TechFrame avoids the problems that may arise from diverging expectations.

Through partnerships it could happen that the local partner doesn't have the same goals as TechFrame's, or has different strategies. Another possible scenario is that the local firm doesn't have the capability to respond to TechFrame's needs, as it is an extremely large market. The later problem may occur due to the existence of cultural differences between France and Portugal.

This mode of entry can also be justified by the size of the market, significantly larger than the Portuguese and Austrian too and also because TechFrame has its own resources and doesn't depend on third parties to enter the French market. A second reason to internationalize



through the creation of an office is justified by the low risk taken as there is only a need for an office and three people for the staff. If anything goes wrong or against their plans, TechFrame doesn't have to incur in extremely high costs to abandon this market. These risks are worth taken in order to maximize sales volume and profit margin.

The office should be created in Paris due to the extremely high concentration of IP firms and agents in the French capital. Their presence there, it will allow for a quick response to customers' needs and support, and also an increased probability of attracting new clients.

### **Marketing Strategy**

In order to perform a successful entry in the French market, TechFrame will have to create a marketing penetration strategy different from the one applied to Portuguese market. This need is created by the higher level of competition that will be faced in France in order to maximize the potential for high number of clients.

This strategy will have to start with the adjustment and development of the product in order to differentiate and adapt it into the new market. Darwin will have to be adapted to the French jurisdiction. Another crucial factor in order to continue offering the best integrated solution compared with the competitors, is to develop de Design Module which many competitors already provide. (Appendix 7)

In what concerns prices in this new market TechFrame will have to create a price strategy due to the existence of competitors. In order to create competitive advantages, the firm will have to enter in a price war with its competitors. Currently TechFrame charges a price of 2000€ for the integrated solution, independently of the number of users. In order to compete with the other players in this market, the firm should start to discriminate prices according to the number of users. A good example of that strategy is Dennemeyer's strategy to sell DIAMS. This firm charges 2000€ by user in firms up to 10 users and above that the price decreases. One example for TechFrame charging strategy would be:

**Table 1:** Example of Prices of Darwin (Integrated Solution)

Number of Users	Price per User
1-5	1800€
6-10	1600€
11-20	1400€
21-50	1200€
51-100	1000€

Another important aspect is to provide prices for single modules in order to compete with the players that are more specialized in particular modules. One good example is Global IP who offers the cost estimator module for 730€. One example for charging discriminated modules would be:

**Table 2 –** Example of Prices for Modules of Darwin

Modules	1	2	3	4	5	6
Prices	600€	800€	1000€	1300€	1600€	1800€

To promote Darwin in France TechFrame will need to adopt a different strategy from the one adopted in Portugal. A good method is to do so is through a method similar to what is was done in Spain, which consists in a teasing campaign via email targeting all IP agents. The campaign consists of a weekly email sent to all the IP agents anonymously presenting one module of Darwin, over a six-week period, and in the last one TechFrame and Darwin would be presented. With this method the potential clients can easily identify a specific module which they don't

have but which would be useful to them, increasing the probabilities of attracting new customers. It is also important to promote TechFrame's website with a complete and clear description of Darwin, in order to potential clients analyse this solution and compare to theirs'. Another possible way to promote and attract new clients is by offering a trial version of Darwin for 3-6 months. Thus, TechFrame will reach a larger number of firms and have higher probabilities of capturing new clients. Once the trial period is over, TechFrame will then negotiate each case independently in order to find win-win solutions.

Finally, one last way to promote Darwin in the French market could be through a partnership with a client, one of the largest law firms, where TechFrame would offer the licences and only charge the after-sales services. Through that, there will be an increase in the awareness among this new market and the law firm will have a software package for their business for free paying only for training and adjusting the software to their needs.

### Proposal of Implementation

#### **Human resources**

Before going to France it is necessary to take same measures related to Human Resources in Portugal. It is extremely important that the Portuguese employees take a French course in order to adapt Darwin to the French market and also to provide training to future hires.

With only 14 workers it is crucial that TechFrame incurs in a recruitment process in order to create a team to operate in France. According to Mr. Carlos Mora, this team should be composed by four people: one technician, two sales reps (one French and one Portuguese), and one secretary. The technician will provide technical assistance of Darwin at the client, the sales reps will perform demonstrations of Darwin and handle the negotiation process and finally the secretary will handle the scheduling of demonstrations and administrative work.

After hiring these new employees, they will need to be trained in order to fully understand Darwin and sell its full potential.

It is very important that TechFrame have French employees working in France in order to attenuate a cultural impact and provide a better acceptance of the firm and product

## Investment

To enter in the French market, TechFrame will have to incur in many types of costs. These will be related with: product development, adapting and developing Darwin; human resources, hiring, training and expenses for the Portuguese sales rep; investment in fixed assets, rent and office supplies; and travel expenses of TechFrame executives.

These costs can be separate into two categories: the initial investment, which consists in all the investments done prior entering the French market (office material, French course); and the monthly expenses (staff salaries, rent). (Table 3)

**Table 3:** Investment + Monthly expenses to entering the French market

French Course	N/A	}	<b>Initial Investment – 13.500€</b>
Design Module	N/A		
Adapting Darwin	4.500€		
Training Process	N/A		
Office Material	6.000 €		
1 PC + 2 Laptops + 1 Server	3.000 €		
Office in Paris	1.800€	}	<b>Monthly Expenditures – 17.600 €</b>
1 Secretary*	4,400 €		
1 Commercial*	5.270 €		
1 Technician*	4,980 €		
House rent**	1.000€		
Flight Ticket	150€		

\*relation between minimum salaries of Portugal (450€) and France (1320€)

\*\*<http://www.paristay.com/index.php?menu=moteur&posi=VMS>

Before moving to France, TechFrame will have expenses with a French course for their employees, the process of adapting Darwin into the French market (which according to Ms. Lina Fortuna will take one month of work of an analyst technician). There will be also expenses related with training the new employees and with office supplies.

When already in France, TechFrame will face monthly expenditures related with staff salaries, office rent, house rent and flight ticket. These two last expenditures are due to the fact that one sales rep is a Portuguese employee which will make monthly trips to Paris. This will allow to make same savings instead of hiring another French sales rep and training him, and also to have a better control of the French office by the Portuguese headquarters.

In sum, it is verified that before TechFrame moves to Paris, it will have to incur in around 13.500€ of expenditures, and when already established in the French capital it will face 17.600€ monthly expenditures.

## **Measures**

In order to evaluate the performance, TechFrame should create objectives that can be measured through the creation of targets. These objectives should be established in 4 different areas: financial, customer, internal and learning. Each different area has objectives to be reached, a measurement to evaluate the firm's performance, the target to be reached in order to achieve the goal and finally the initiatives taken towards the objective.

<b>Strategic Theme</b>	<b>Objectives</b>	<b>Measurement</b>	<b>Target</b>	<b>Initiative</b>
<b>Financial</b>	Expand sales and customers base	Sales revenue Profitability Sales volume	10% of the French Market Share in the first two years	Price strategy
<b>Customer</b>	Prices lower than competitors  Create awareness among potential clients	Awareness among potential customers.  Market Share achieved in first year	Brand Recall through market researches of 50% among potential clients  10% of market share in the first two years	Communication strategy  Free demonstrations  3-6 months free trials
<b>Internal</b>	Recruit French workers  Train Portuguese workers	Number of workers	Recruit 3 workers in the first two months	Training  Recruitment  French Classes
<b>Learning</b>	Design Module  Darwin to IP proprietors	Time to be ready	Ready when entering France	R&D investment

## Timeline

As it was said previously, the expansion into France will be done in two stages. The first will occur before moving to Paris, where during 6 months the TechFrame employees will attend French classes. In the last month, the technicians can already start adapting Darwin, develop the Design Module and start the recruitment process can be initiated. In the 7<sup>th</sup> month the training process of the new hires will be initiated and the teasing campaign will start from Portugal. On the 8<sup>th</sup> month an office will be rented.

After all these processes, TechFrame can move into France and start its activity, dedicating for the first 4 months special attention to SMEs and after to larger firms, as it will be seen further in recommendations.

**Graph 1:** Timeline for the Internationalization Process

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
French course for Technicians															
Development of Design Module															
Adapting Darwin into French															
Recruitment of Staff															
Training program for Staff															
Teasing Emails presenting Darwin															
Getting an Office															
Commercialization to SME*															
Commercialization to Larger firms*															

\* explained in recommendations

## Recommendations

In the beginning TechFrame should invest every effort in trying to persuade small IP offices to buy Darwin. These firms generally have only in-house solutions to manage their clients' portfolio, which generally aren't as efficient as Darwin. They may see in this opportunity a chance to cut costs, such as staff, and even become more efficient allowing for the growth of business volume. The opportunity cost of changing software for this kind of companies is much lower than for large IP firms. In addition, these firms may recognize in Darwin one functionality which is much better than their solution and buy a single module of the system to help their activity. Thus, they are a market not only for the full system, but also for a specific module that they need. Therefore, there are higher probabilities of gaining new customers among these small companies than between the large firms.

It is only after exploring the SMEs sector that TechFrame should try to sell licenses to the large firms. This phase will require more resources, as it will take much more time to persuade the large companies to change their IT solution. There is more opportunity costs associated to this change, for example the number of licenses that each office needs, the time spent adapting to a new system which is translated into losses in what concerns providing services to customers. More staff is also needed due to the number and size of these firms.

Therefore, when entering in the French market, this order of procedures should be taken into account. It's very important that when trying to persuade the larger companies to adopt Darwin, TechFrame already has the advantage of knowing the market, the culture and know-how. Another point in favour of this method is the higher independence from Portuguese revenues that TechFrame will get when starting to operate with larger firms, which comes from the revenue structure from the small firms.

After being settled in the French market in all kinds of firms and with no space for more growth, TechFrame could try to expand into a brand new market segment. In this case, there's a possibility of entering the segment of the right proprietors directly. In France, at least 10% of the small and medium firms, which file patents, have a specialist in Industrial Property whose only function in the company is to deal and manage IP. This is an extremely unexplored market segment. TechFrame could create a version of Darwin for this segment, providing tools for them to manage their portfolio independently from agents. Assuming also that at least 10% of firms larger than SME have as well at least one IP dedicated person, this would mean a potential of 210 licenses that can be sold. (Appendix 8 and 9)

This is an advantageous scenario because it would allow competing indirectly with TechFrame's competitors. By doing this, TechFrame can sell licenses to all those rights proprietors that have as agents those who don't have Darwin as their management tool, but the rights proprietors do. It would be a competition with their traditional competitors but in a different "field" where the competitors don't act.

In order to conquer this new segment more thoroughly, TechFrame could create a simpler and less expensive version of Darwin. As in Portugal TechFrame's larger market share is among



firms with 1 to 5 users, we can say that they already have their experience with these types of firms, and also that it's useful even for those who have small portfolios to manage.

Another measure that TechFrame can take is to develop their human resources policy. An important measure that could be applied in this area is to create an incentive system inside the firm. One type of incentive would be the bonus for the sales rep. This would increase their motivation to close deals with new clients. This could be done through a fixed bonus per sale, or by percentage of the final deal.

## **Conclusion**

TechFrame is already a market leader in Portugal, having 80% of market share and facing low expectations of growing in this saturated market. With the ambition of growth and expansion of sales volume, the only way to achieve this goal is through internationalization. This step was first taken by having single projects in foreign countries, and the establishment of an office in Madrid and a partnership in Austria.

In order to continue to increase the area of operation and consequently increase business volume, TechFrame intends to enter the French market. It is seen as an attractive market due to the extremely high growth rate in IP culture among French firms, as a result of an intense awareness campaign, from CNCPI, for firms to protect themselves in this area. Other aspects that helped choose this country to operate are the high number of IP firms and agents, and their geographical concentration in Paris, which helps to operate in order to provide a quick response to clients' needs and support.

Contrarily to the Portuguese market, in France, TechFrame will face a fierce competition, leading to the need of adopting a different strategy. One good example of a measure to compete the other players is the need to enter in a price strategy, in order to increase awareness and attract new clients.

To reduce the risk and increase the effectiveness of entering the French market, TechFrame should begin by focusing mainly in small IP firms. These companies have lower switching costs, and will change their in-house software to Darwin more easily. After “cracking” this market segment, TechFrame will be in a stronger position and have the required know-how to target the larger firms segment.

When completed both these phases and in order to continue the sales expansion purpose, TechFrame could create a new version of Darwin to directly target the rights proprietors. This strategy will allow TechFrame to compete indirectly with all their competitors and increase significantly their sales volume, as there are at least 210 potential licenses be sold.

## Appendix

### Appendix 1 – Portuguese Entities by average number of users.

Average number of Users	OIPAs	SOIPs
<b>1-5</b>	11	<b>17</b>
<b>6-10</b>	4	
<b>11-20</b>	2	
<b>21-50</b>	6	
<b>51-100</b>		
<b>+100</b>		
<b>Total</b>	<b>23</b>	<b>17</b>

Source: INPI

### Appendix 2 – Registers and requests growth in Portugal

	2006	2007	Growth
<b>Inventions Registered</b>	319	368	15.4%
<b>Brands Registered</b>	15600	20199	29.5%
<b>Designs Registered</b>	535	724	35.3%
<b>Designs Requests</b>	199	305	53.55

([www.inpi.pt](http://www.inpi.pt))

### Appendix 3 – Darwin Clients in Portugal by average number of users

Average number of users	OIPAs	Market Share	SOIPs	Market Share
<b>1-5</b>	8	34.8%	3	<b>17.6%</b>
<b>6-10</b>	4	17.4%		<b>0%</b>
<b>11-20</b>	2	8.7%		<b>0%</b>
<b>21-50</b>	2	8.7%		<b>0%</b>
<b>51-100</b>	0	0%		<b>0%</b>
<b>+100</b>	0	0%		<b>0%</b>
<b>Total</b>	<b>16</b>	<b>69.6%</b>	<b>3</b>	<b>17.6%</b>

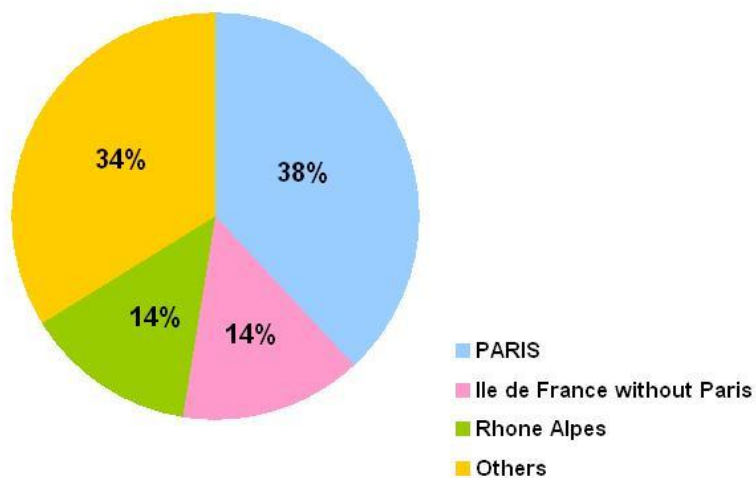
Source: TechFrame

### Appendix 4: Changes in national patent filings (source EPO)

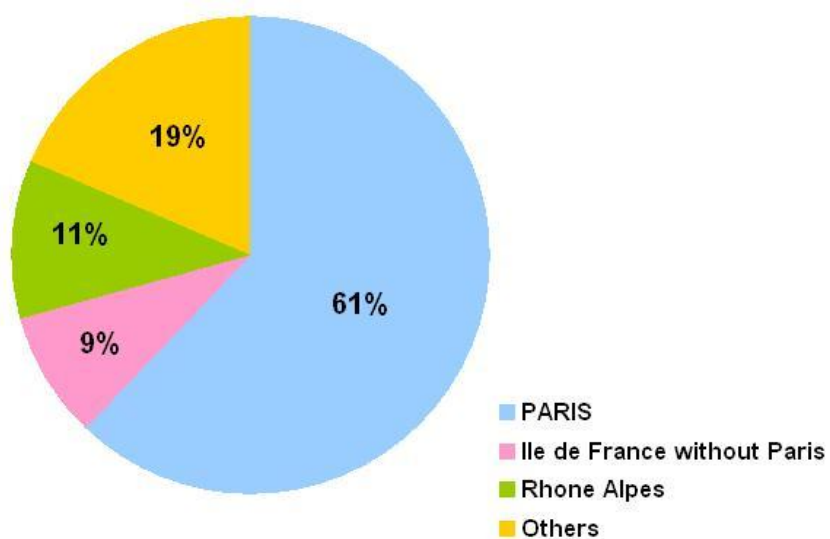
	1978	1988	2001	2004
<b>France</b>	11.400	12.400	13.500	66.979
<b>Germany</b>	26.000	28.600	N/A	26.938
<b>EU</b>	62.000	65.700	177.500	123.451
<b>Japan</b>	165.000	240.000	386.500	120.388

(EPO)

#### Appendix 5: Distribution of the firms by geographical area



#### Appendix 6: Distribution of Patent & Trademark attorneys by geographical area



## Appendix 7: Darwin vs. Competitors operating in France

	DIAMS	GLOBAL IP	AIMS IP	CPA GLOBAL	DARWIN
Process Management	✓		✓	✓	✓
CRM	X	X	✓	✓	✓
Financial Management	✓	✓	✓	✓	✓
Document Archiving and workflow	✓	✓	✓	✓	✓
Business Intelligence	✓	✓	X	✓	✓
Daemon Referee	✓	X	✓	✓	✓
Design Module	✓	✓	X	X	X

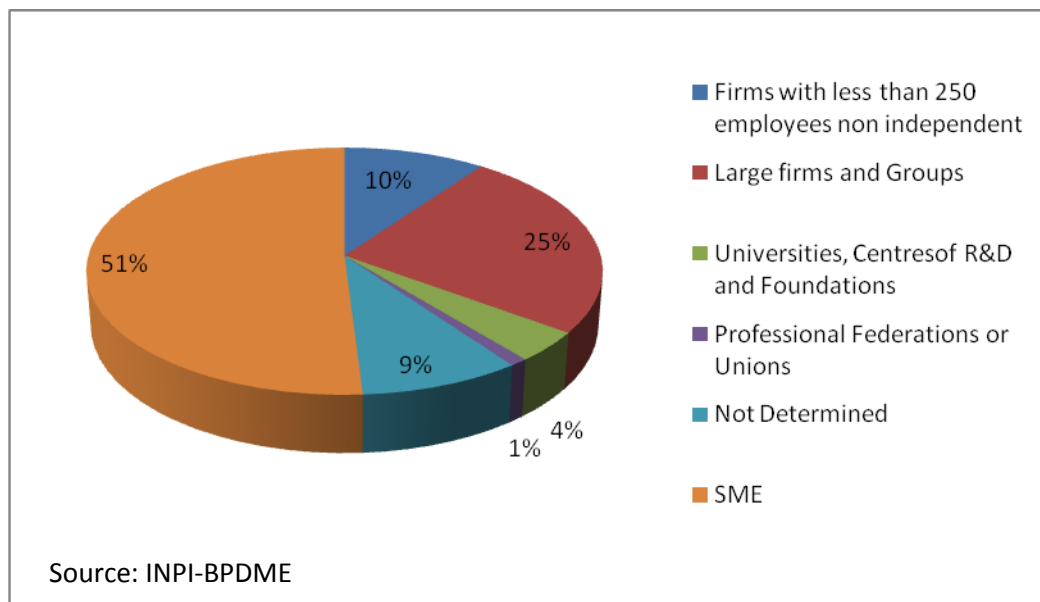
1. **Process Management:** manages processes and daily procedures; divides in a structured way information concerning Trademarks and concerning Patents; manages all the information concerning internal and external processes, searches and warnings; prints out directly over the official documents forms; manages and controls claims processes and performs viability searches through automation of tasks of criteria building, results analysis and relevant warnings to the clients.

2. **Client relationship management:** maximizes the gains obtained from the entity's knowledge base; allows reciprocity analysis and portfolio transfers between entities; crates mailing lists; manages contacts; registers multiple information by entity.
3. **Document Archiving and workflow:** provides the system with capabilities of document management and business workflow; allows digitalization, manipulation and registers all the documents sent or received.
4. **Financial management:** manages the entity financially based on the information made available through Process Management; encompasses the relationships with clients and suppliers.
5. **Business Intelligence:** manages important information relevant in supporting the decision making process of top managers.
6. **Daemon referee:** Manages all the procedures automatically triggered by the system.
7. **Design Module:** Enables to file requests to register designs.

## Annex 8: Responsible for the IP in French companies.

Company's President	61%
Specialist in IP	10%
Legal Department	7%
Production Department	3%
Marketing Department	2%
R&D Department	12%
Other Departments	5%

## Appendix 9: Distribution of French corporate patent applicants



The SME have a considerable weight in filing requests for patents. In 1999 it was counted 1408 SME that filed patent requests, only via national.



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